





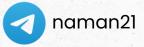
Daily **CURRENT AFFAIRS**

🛗 May 29th, 2025









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India Becomes the World's 4th Largest Economy



Why in the News?

India has recently overtaken Japan to become the world's fourth-largest economy in nominal GDP terms, as confirmed by the CEO of NITI Aayog in May 2025. This marks a significant moment in India's economic journey, highlighting its growing global stature, increased economic resilience, and evolving role in international financial affairs.

While this is a cause for national pride, it also invites a deeper reflection on what such rankings imply about the actual prosperity of Indian citizens, especially when contrasted with Purchasing Power Parity (PPP) measures and per capita income indicators.

Background: India's Evolving Economic Position

India's economy has seen a remarkable transformation since liberalisation in 1991. From being an economy plagued by the "Hindu rate of growth" in the 1970s and 80s, it has emerged as a global player in the 21st century. This shift has been powered by structural reforms, demographic dividends, increased digitalisation, a vibrant services sector, and an expanding domestic market.



In Nominal GDP terms (USD), India has now moved ahead of Japan (which is facing a stagnant economy and demographic decline) to rank fourth globally.

In PPP terms, India has been the thirdlargest economy since 2009, behind only the United States and China.

Understanding GDP Metrics: Nominal vs. PPP-Based GDP

To fully understand the significance of India's rise in nominal rankings, we must understand the difference between Nominal GDP and GDP at Purchasing Power Parity (PPP).

Nominal GDP

- Definition: It is the total value of all goods and services produced in a country measured using current market exchange rates in USD.
- Example: If India's GDP is ₹270 lakh crore and the exchange rate is \$1 = ₹75, the nominal GDP = ₹270 lakh crore ÷ 75 = \$3.6 trillion.

GDP at PPP

- **Definition:** It adjusts the GDP to reflect differences in the cost of living and price levels between countries. It captures the real value of goods and services that citizens can buy domestically.
- **Example:** While India's nominal GDP might be \$3.6 trillion, due to lower prices in India, PPP-adjusted GDP might be \$12 trillion, reflecting greater real consumption.

Why PPP Matters:

More accurate for comparing living standards.

Adjusts for cost differences - a dollar goes much further in India than in the US.



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Used by multilateral institutions like the World Bank and the IMF to measure actual well-being.

India's Position by PPP GDP

- India became the third-largest economy in PPP terms in 2009, overtaking Japan during the Manmohan Singh-led UPA government.
- Since then, it has retained this spot, despite fluctuations in nominal rankings. The PPP measure reflects India's large population and low cost of living, boosting its effective domestic consumption and production.

Exchange Rate Effects on Nominal GDP

One of the biggest weaknesses of using nominal GDP is its sensitivity to exchange rates, which are often volatile due to geopolitical events, inflation, trade deficits, and interest rate changes.

Examples:

- If India's GDP is ₹300 lakh crore and \$1 = ₹75, its dollar GDP = \$4 trillion. But if \$1 = ₹85, the same economy appears to be \$3.5 trillion.
- If the yen strengthens, Japan's dollar GDP may increase even without any domestic growth.
- Countries with weak or volatile currencies may seem poorer than they are, distorting global comparisons.

Thus, a nominal GDP ranking can change without any actual change in output, just due to currency fluctuations.

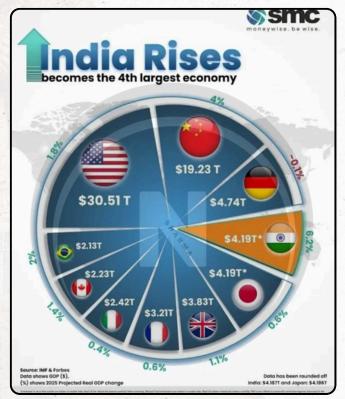
Per Capita GDP: A Better Lens for Prosperity?

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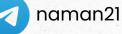
SCO 173-174, Sector 17C Chandigarh While aggregate GDP gives a sense of a nation's overall size and economic clout, per capita GDP - the GDP divided by the total population - is a more useful indicator of individual prosperity and living standards.

Why Per Capita GDP Matters:

- Accounts for Population Size: India's total GDP may exceed that of the UK, but India has over 20 times more people, reducing per capita income drastically.
- **Reflects Living Standards:** It measures average income per person, giving insight into access to housing, healthcare, education, and public services.
- **Exposes Inequality:** High aggregate GDP can mask internal disparities a few billionaires may thrive while
 - millions struggle in poverty.



Comparative Snapshot (2025 Estimates in PPP Dollars): Thus, despite India being the 5th largest economy by nominal GDP and 3rd by PPP.





its low per capita income reflects the urgent need for inclusive and equitable growth.

Key Challenges Ahead Low Per Capita Income

- India's per capita income remains among the lowest in G20 nations. This restricts access to quality education, healthcare, and housing — all key components of human development.High Inequality
- According to Oxfam reports and recent RBI data:
- The top 10% of Indians own over 70% of the country's wealth.
- Income inequality has worsened post-pandemic, particularly between urban and rural India.
- Unemployment and
 Underemployment
- Despite rapid economic growth, jobless growth remains a persistent problem. The informal sector still dominates employment, with poor wages and a lack of social security.
- Inadequate Human Capital
- India ranks low on indicators such as learning outcomes, healthcare infrastructure, and digital literacy.
- Public expenditure on health (~2.1%) and education (~2.9%) of GDP is well below global averages.
- Exchange Rate Vulnerability
- Rupee depreciation affects external borrowing, trade competitiveness, and investor confidence. This directly impacts India's nominal GDP rank and can overshadow real growth achievements.

Opportunities: Leveraging India's Strengths

- Despite these challenges, India has several structural advantages:
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- Young Workforce: Over 60% of the population is under 35.
- Large Domestic Market: Rapid urbanisation and a rising middle class create demand.
- Tech Ecosystem: India is a global IT hub and digital innovation leader.
- Global Supply Chain Shift: Post-COVID, companies are adopting a China+1 strategy, boosting India's role in global manufacturing.
- Way Forward: From Economic Size to Individual Prosperity
- To translate economic growth into real prosperity, India needs strategic policy interventions that focus on human development, inclusiveness, and resilience.

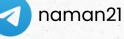
Invest in Human Capital

- Increase public investment in education, healthcare, nutrition, and sanitation.
- Strengthen institutions like Skilling India, National Health Mission, and PM SHRI Schools.
- Promote digital access and Al/tech literacy to boost productivity. Ensure Equitable and Inclusive Growth
- Promote rural development, agrarian reforms, and support for MSMEs.
- Targeted welfare schemes like PM-KISAN, Ujjwala, and Ayushman Bharat should be expanded with better implementation.
- Focus on urban poor, migrant workers, and women's economic participation.

Strengthen Formalisation and Job Creation

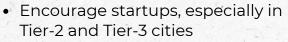
- Expand formal job opportunities in manufacturing, logistics, renewable energy, and tourism.
- Implement labour reforms with safeguards for worker rights.

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Boost Innovation and Productivity

- Invest in R&D, public-private innovation hubs, and academicindustry collaboration.
- Improve ease of doing business, reduce compliance burdens, and ensure policy predictability.
- Address Exchange Rate Sensitivities
- Build up foreign exchange reserves and diversify exports to stabilise the rupee.
- Encourage local value chains and reduce import dependence in critical sectors like semiconductors, electronics, and defence.

Conclusion

India's ascent to the position of the fourth-largest economy in nominal GDP terms is undoubtedly a proud moment. However, this should not divert attention from deeper structural issues like low per capita income, high inequality, and unemployment. Aggregate GDP is a measure of national strength, but for real prosperity, the quality of growth matters as much as the quantity.

The challenge for India is clear: To ensure that economic expansion translates into enhanced quality of life for every citizen. That requires bold investments in human capital, infrastructure, and governance reforms. If the nation can meet this challenge, it will not only be a large economy but a truly prosperous and equitable society.

Main question

[UPSC 2022] Is inclusive growth possible under a market economy? State the significance of financial inclusion in achieving economic growth in India.



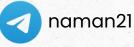
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MSP Hike for Kharif Crops in 2025–26: Balancing Farmer Welfare and Market Efficiency

Why in the News?

- The CCEA approved MSP hikes for 14 Kharif crops for 2025–26 to ensure fair returns to farmers.
- The hike aims to fulfil the government's promise of providing at least 50% profit over the cost of production.
- The increase in MSP is part of the larger Doubling Farmers' Income (DFI) strategy and comes amidst rising input costs and climatic uncertainties.
- The MSP hike particularly focuses on pulses, oilseeds, and coarse cereals to promote crop diversification and reduce the import dependence on edible oils and pulses.



Background: Evolution of MSP in India Origins

Introduced during the 1960s Green Revolution to address food insecurity and famineespecially after the Bihar famine (1966–67).



SCO 173-174, Sector 17C Chandigarh Initially managed by the Agricultural Prices Commission (APC) (est. 1965), which later became the Commission for Agricultural Costs and Prices (CACP) in 1985.

Purpose

- To provide a price guarantee to farmers and insulate them from market fluctuations.
- Encourage the production of strategic crops like paddy and wheat for food buffer stocks.
- Protect against predatory pricing by middlemen and ensure minimum returns.

Institutional Framework

- CACP, an expert body under the Ministry of Agriculture, recommends MSPs for 23 crops.
- Final decisions are taken by the CCEA after inter-ministerial and state consultations.

Features of the MSP Mechanism

Crops Covered

- 23 crops: 7 cereals, 5 pulses, 7 oilseeds, and 4 commercial crops (sugarcane, cotton, raw jute, copra).
- Sugarcane has a Fair and Remunerative Price (FRP), not MSP.

KHARIF MSPs VERSUS CROP ACREAGES

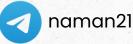
	MSP		MSP % Rise ACI		EAGE	%Rise
	2017	2018		2017	2018	
Ragi	1900	2897	52.A7	3.18	2.53	-20.44
Nigerseed	4050	5877	45.11	0.43	0.41	-4.65
Jowar	1700*	2430°	42.94	13.63	14.28	4.77
Bajra	1425	1950	36.84	61.28	49.71	-18.88
Sunflower	4100	5388	31.41	112	0.70	-37.50
Cotton	4020**	5150**	28.11	111.38	102.51	-7.96
Moong	5575	6975	25.11	26.47	27.45	3.70
Maize	1425	1700	19.30	67.92	66.91	-1.49
Sesamum	5300	6249	17.91	9.67	8.07	-16.55
Paddy	1550°	1750°	12.90	225.60	197.63	-12.40
Soyabean	3050	3399	11.44	95.70	101.53	6.09
Groundnut	4450	4890	9.89	33.05	28.96	-12.38
Arhar	5450	5675	4.13	36.66	35.05	-4.39
Urad	5400	5600	3.70	35.17	29.51	-16.09

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MSP is in Rs/quintal; Acreage is in lakh hectares as on July 27. "Hybrid; "Medium Staple; "Common varieties.

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MSP Calculation Methodologies

- Based on three cost concepts:
- A2: Actual paid-out cost (seeds, fertilisers, fuel, etc.)
- A2+FL: A2 + imputed value of family labour
- C2: A2+FL + rental value of owned land + interest on fixed capital (most comprehensive)
- The Swaminathan Commission (2004) recommended MSP = 1.5 times C2 cost.
- However, the current government formula: MSP = 1.5 times A2+FL, not C2.

Announcement Timeline

- Declared before the sowing season to help farmers make informed cropping decisions.
- MSPs serve as indicative prices, not legally binding procurement rates (except for crops actively procured).

Procurement Mechanism

- Food Corporation of India (FCI) and state agencies procure mainly paddy and wheat.
- Limited procurement for pulses and oilseeds due to infrastructure and fiscal constraints.

Challenges of the MSP Regime

Limited Procurement

- MSP works effectively only for paddy and wheat in select states (Punjab, Haryana).
- Farmers in other regions and for other crops do not benefit due to a lack of procurement infrastructure.

Regional and Crop Bias

- Skewed procurement towards northern India and rice-wheat monoculture.
- Disincentivises crop diversification and leads to nutritional and ecological imbalance.

Market Distortion

- Distorts cropping patterns, leading to overproduction of water-intensive crops like paddy.
- Reduces private trade participation due to artificial price floors.

Fiscal Burden

- Increasing MSPs without matching procurement raises expectations but not delivery.
- High food subsidy bills (₹2-3 lakh crore annually) strain fiscal resources.

Environmental Concerns

- Incentivises unsustainable farming (e.g., overuse of groundwater in Punjab).
- MSP policy needs alignment with climate-resilient agriculture.

Discrepancy in Cost Calculation

- Farmers' bodies argue for C2-based pricing, whereas the government uses A2+FL.
- Leads to dissatisfaction and agitation among farmer groups (e.g., 2020-21 protests).

Legal Guarantee Debate

- Farmers have demanded a legal guarantee of MSP; however, experts warn this could:
- Create market distortions,

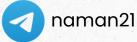
Lead to excessive procurement, Crowd out private markets, and Increase litigation and administrative costs.

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Way Forward Diversified Procurement

- Expand procurement to pulses, oilseeds, and millets.
- Improve storage, logistics, and processing infrastructure in underserved states.

Regional Equity

- Create decentralised procurement models that include states like Odisha, Madhya Pradesh, and Maharashtra.
- Empower Farmer Producer Organisations (FPOs) to aggregate and sell produce at MSP.

Transparent Costing

- Shift towards C2-based calculation to ensure genuine profitability.
- Use satellite data and AI to track cost inputs and productivity region-wise.

Crop Diversification Incentives

- Link MSP hikes with eco-friendly crops such as millets, pulses, and oilseeds.
- Integrate with schemes like PM-KUSUM and Paramparagat Krishi Vikas Yojana.
- Legal Reforms and Consensus Building
- Avoid hasty legal guarantees.
- Initiate multi-stakeholder consultations including farmers, economists, and civil society.

Climate-Resilient MSP

- Align MSP policy with climate adaptation goals.
- Prioritise sustainable agriculture in dryland regions.

Conclusion

The recent MSP hike for Kharif crops reflects the government's commitment to safeguarding farmers' interests and enhancing their income security. However, the MSP system in its current form faces structural, fiscal, and ecological challenges that undermine its effectiveness and equity. A reformed MSP regime backed by regionally inclusive procurement, sustainable crop planning, better cost estimation, and technological support can serve as a more effective policy tool.

[UPSC 2020] Consider the following statements:

1. In the case of all cereals, pulses and oilseeds, the procurement at Minimum Support Price (MSP) is unlimited in any State/UT of India.

2. In the case of cereals and pulses, the MSP is fixed in any State/UT at a level to which the market price will never rise. Which of the statements given above is/are correct?

Options: (a) 1 only

(b) 2 only

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- (c) Both 1 and 2
- (d) Neither 1 nor 2

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Supreme Court Collegium recommends transfer of HC CJs

Why in the News?

The Supreme Court Collegium has recommended the transfer of 4 Chief Justices from the High Courts of Madras, Rajasthan, Tripura, and Jharkhand.



About the Collegium System:

- Definition: It is used in India for the appointment and transfer of judges to the Supreme Court and High Courts.
- Non-Constitutional Origin: It is not mentioned in the Constitution or any law passed by Parliament. It developed through Supreme Court judgments to protect judicial independence.
- Judicial Primacy: The system ensures that senior judges, not the government, have the main say in judicial appointments.
- Evolution: It arose in response to executive interference during the 1970s, when the government tried to influence and supersede senior judges:
- First Judges Case (1981) S.P.
 Gupta v. Union of India:
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• Held that the Chief Justice's opinion was only consultative.

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- Gave the executive primary control over appointments and transfers.
- Second Judges Case (1993) Advocateson-Record Association v. Union of India:
- Overruled the First Judges' Case.
- Declared that "consultation" with the CJI means "concurrence", making the CJI's view binding.
- Introduced the Collegium system, involving the CJI and two senior-most judges.
- Affirmed that judicial independence requires judicial primacy in appointments.

Third Judges Case (1998) – Re: Presidential Reference:

- Expanded the Collegium to include the CJI and four senior-most Supreme Court judges.
- Emphasised institutional decisionmaking, not personal preferences of individual judges.
- How does the Collegium System work?
- For Supreme Court Judges:
- The Collegium includes the CJI and four senior-most SC judges.
- It recommends names for appointments to the SC and appointments/transfers of High Court judges and Chief Justices.
- The Law Ministry processes these names and sends them to the Prime Minister, who advises the President for final approval.

For Appointing the Chief Justice of India:

- The sitting CJI recommends the seniormost SC judge.
- This practice has been followed since the 1970s supersession controversy.
- For High Court Judges:



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- Recommendations start from the Chief Justice of the High Court, who consults two senior colleagues.
- The proposal goes to the state government, then to the Supreme Court Collegium (CJI and two seniormost SC judges), and finally to the President.
- For Transfers of Judges:

Article 222 of the Constitution allows the transfer of High Court judges.

- The Collegium recommends transfers, often for administrative needs or public interest.
- Consent is not needed, but the CJI must consult the Chief Justice of the concerned High Court and other senior judges.
- No High Court can have an Acting Chief Justice for more than a month, so transfers and new appointments are usually done together.

[UPSC 2012] What is the provision to safeguard the autonomy of the Supreme Court of India?

 While appointing the Supreme Court Judges, the President of India has to consult the Chief Justice of India.
 The Supreme Court Judges can be removed by the Chief Justice of India only.
 The salaries of the Judges are charged on the Consolidated Fund of India, to which the legislature does not have to vote.
 All appointments of officers and staff of the Supreme Court of India are made by the Government only after consulting the Chief Justice of India.

Which of the statements given above is/are correct?

Options: (a) 1 and 3 only (b) 3 and 4 only (c) 4 only (d) 1, 2, 3 and 4

Explanation: Statement 1 is correct:

The Constitution stipulates that the President of India must consult the Chief Justice of India before appointing any new Supreme Court Judges, ensuring the judiciary has a say in the selection process.

Statement 3 is correct:

The salaries of Supreme Court Judges are charged on the Consolidated Fund of India, meaning they are not subject to the legislature's vote, further safeguarding their financial independence.

Statement 2 is incorrect:

The Chief Justice of India does not have the power to remove Supreme Court Judges. They can only be removed through a complex impeachment process involving Parliament.

Statement 4 is incorrect:

While the Chief Justice of India plays a significant role in the administration of the Supreme Court, the appointments of officers and staff are made by the Government, not solely by the Chief Justice.

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Churdhar Wildlife Sanctuary

The forest department of Himachal Pradesh recently put on hold its order imposing a user charge on visitors to the Churdhar Wildlife Sanctuary in Sirmaur district.



About Churdhar Wildlife Sanctuary

- It is located in the Sirmour district of Himachal Pradesh.
- It is situated in the Shivalik range of the Himalayas.
- Established in 1985, this sanctuary spans 56 sq km and encircles the majestic Churdhar Peak, also known as Choordhar.

• Churdhar Peak is the highest peak in the Outer Himalayas.

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- From the top of the peak, visitors can relish the view of wild Gangetic plains and the Yamuna River to its south and Badrinath (a well-known Hindu pilgrimage) towards its north.
- A small temple dedicated to Lord Shiva sits atop the peak, adding spiritual significance to the sanctuary.
 Elora:
- Flora:
 - It is quite renowned for being a habitat for herbal medicine trees and plants.
 - Wild Himalayan Cherry, Aloe Vera (Dhrit Kumari), and Amaranthus spinosus (Chulai) are some of the best aromatic plants which can be found here, and these herbs possess amazing medicinal properties.
 - The main trees in the sanctuary are oak and deodar.
- Fauna: The sanctuary is home to various species, including musk deer, black bears, monals (Himalayan pheasants), and leopards.

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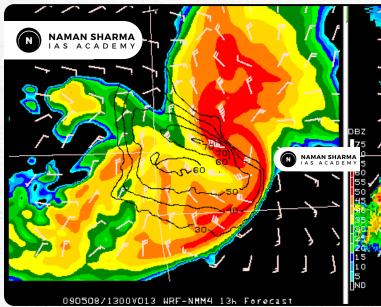
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New Delhi recently faced a severe thunderstorm with winds up to 100 kmph, forming a bow echo, a crescentshaped pattern seen on weather radar. • Bookend vortices may form at both ends of the bow, and the northern end can sometimes generate tornadoes.

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About Bow Echo:

- What is it: A bow echo is a storm pattern on radar that looks like a curved bow, similar to an archer's bow.
- Storm Type: It forms inside a mesoscale convective system (MCS)

 a large group of organised thunderstorms.
- Origin of Term: The term was first used by Ted Fujita, who also created the Fujita scale for tornadoes.

How It Forms:

- Heavy rain causes cool air to sink and spread out near the ground.
- This cool air forms a gust front, which pushes warm, moist air upward, creating new storms.
- A rear inflow jet of strong mid-level winds pushes the storm forward, bending it into a bow shape.

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Size, Impact, and Dangers:

- **Size and Duration:** Bow echoes usually span 20 to 200 km and last 3 to 6 hours.
- Wind Strength: They often produce straight-line winds over 100 km/h, like those seen in Delhi's recent storm.
- **Derechos:** In severe cases, bow echoes can grow into derechos, which are long-lasting and widespread windstorms.

Impacts:

- **Damaging Winds:** Knock down trees, power lines, and damage buildings.
- **Brief Tornadoes:** May form at the storm's edges, especially at the northern end.



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Our Recent Toppers

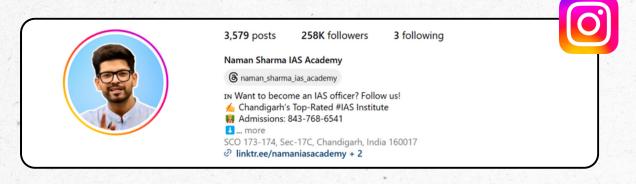


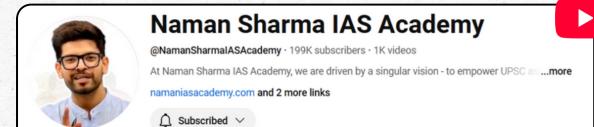
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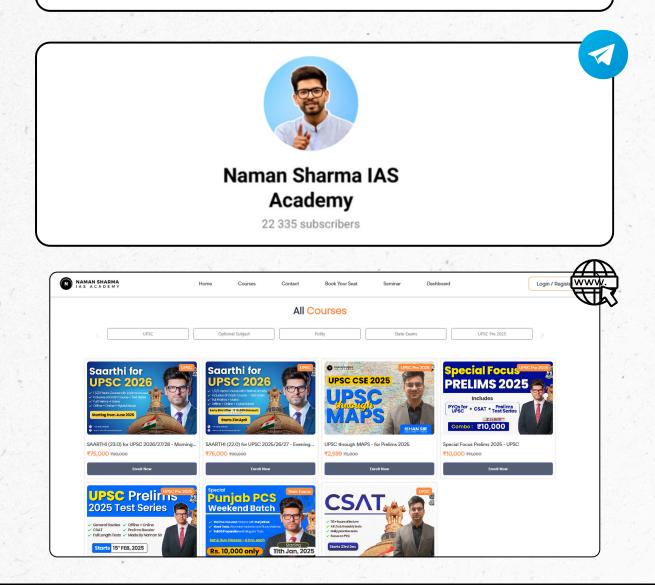




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